

Jagran Prakashan Ltd.**Rs 105****KRChoksey**
INTEGRATED FINANCIAL SOLUTIONS

'Ad'verse scenario continues..

BUY

Jagran Prakashan recorded healthy revenue growth of 10% y-o-y basis which was derived by marginal growth in advertising revenue. Total revenues were Rs 305.4cr. EBITDA stood at Rs 79cr against Rs 89cr in Q2FY11, decrease of 11% over y-o-y. EBITDA margin for the quarter was 26%. Profit after tax was Rs 45.8cr as compared to Rs 55.5cr, decrease of 18% y-o-y. Net profit margin stood at 15%. Jagran's muted revenue growth shows sluggishness in the advertising market. Moreover net profit was compressed due to higher newsprint prices for the quarter. We maintain Jagran as our top pick from the print segment of Media sector and believe the company will outperform the peers.

Slowdown in advertising spend continues

Adverse economic conditions have worsened in Q2FY12 and its impact is clearly visible on media companies wherein major advertising revenue contributes major chunk of the revenue. For Jagran Prakashan ad revenue growth was driven mainly by volumes. Automobiles, FMCG companies showed good growth in advertising but education, real estate, telecom, BFSI were slow in Q2FY12. The company witnessed 21% ad revenue growth in the month of September and the management expects this to go upto 25% in October on the back of festive season. However the company has reduced ad revenue growth to 12% for full year from 14-15% as guided earlier.

Steady circulation revenue growth

The company guided 10-12% Y-o-Y circulation revenue growth in FY12. However it will go down if there is a new entrant in Bihar. Overall circulation stands at 4mn copies daily excluding Cityplus.

Other business hit by slowdown in ad spend

Slowdown in Real estate, telecom, BFSI, service, education sectors has hit OOH. However, JPL continues to be near breakeven in this segment. We believe this segment to pick up once advertising spend comes back on track. Jagran's investments in outdoor and event businesses will pay off and will contribute to its top line in the times to come.

Higher raw material prices compressed the margins

Although the company reported growth in terms of revenues, EBITDA margins were down by 800bps y-o-y due to higher newsprint prices and increase in raw material volume due to new launches.

Valuation

Media industry is witnessing slowdown in advertising spend. We like Jagran in Print media space as the company has strong presence in tier 2 and tier 3 markets. It dominates its major markets which paves way to demand premium in advertising rates. The company has a strong balance sheet which will help to capture growth opportunities. Mid Day will further help to increase revenues. We reiterate our Buy recommendation on the stock with target price of Rs 135, by assigning 17x PE to FY13E earnings, which is 28% potential upside from current price.

Exhibit 1: Key Financials**(Rs Cr)**

Particulars	FY10	FY11	FY12E	FY13E
Revenue	942	1105	1216	1339
EBITDA	282	354	356	396
PAT	165	195	207	230
EPS, Rs	5.5	6.5	6.9	7.7
P/E, x	19.1	16.2	15.3	13.7
EV/EBITDA, x	11.6	10.0	9.3	8.3
RoE	27%	28%	26%	25%

Source: Company Data, KRChoksey Research

Price Outlook(Rs): 131

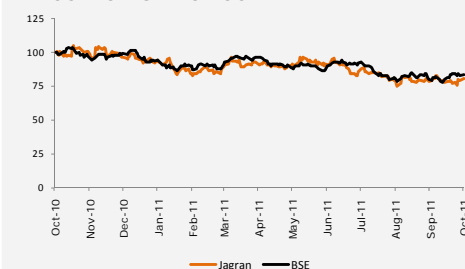
Potential upside: 24%

Previous TP(Rs): 144

Market Data	
Shares outs (Cr)	30.1
Equity Cap (Rs Cr)	60.2
Mkt Cap (Rs Cr)	3160
52 Wk H/L (Rs)	148/97
Avg Vol (1yr Avg)	1,58,790
Face Value (Rs)	2
Bloomberg Code	JAGP:IN

Market Info:

SENSEX	17,088
NIFTY	5,144

Price Performance**Share Holding pattern (%)**

Particulars	Sept-11	Jun-11	% Chg
Promoter	59.51	52.69	12.9%
FII	10.99	10.45	5.2%
DII	16.08	17.64	-8.8%
Others	13.42	19.22	-30.2%
Total	100	100	

Source: BSE

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Key Highlights of Concall

- Advertisement revenue grew by 9.6% y-o-y to Rs 212cr. For FY12 the management expects 12% advertising revenue growth (reduced from 14% to 15% from earlier guidance). Q2FY12 showed sluggish growth in education, real estate, BFSI and telecom sectors.
- Mix of national and local advertisers' stands at 40:60 ratio.
- Mid Day's revenues have grown by 13% y-o-y, led by circulation revenues.
- Event business has seen slowdown as advertising spend was very sluggish in all major sectors..
- Increase in newsprint prices dampened the margins.
- The company doesn't have any plan to launch new edition.

Exhibit 2: Q2FY12 Consolidated Result

Particulars	Q2FY12	Q1FY12	q-o-q	Q2FY11	y-o-y
Net Sales	297.7	297.9	0%	270.9	10%
Other Operating Income	7.7	6.7	14%	6.0	29%
Total Operating Income	305.4	304.6	0%	276.8	10%
(Increase)/decrease in stock & WIP	0.0	0.0	-548%	0.0	-505%
Raw Material	107.6	98.9	9%	80.1	34%
Employee Cost	37.6	39.3	-4%	35.4	6%
Other expenditure	81.2	84.4	-4%	72.6	12%
EBITDA (Exc OI)	79.1	82.0	-4%	88.8	-11%
EBITDA Margin (%)	26%	27%	-100bps	32%	-800bps
Other Income	4.0	7.8	-49%	8.5	-53%
EBITDA (Inc OI)	83.0	89.8	-8%	97.2	-15%
EBITDA Margin (%)	27%	29%	-200bps	35%	-800bps
Depreciation	16.0	15.0	7%	13.3	21%
EBIT	67.0	74.8	-10%	84.0	-20%
Interest	2.9	2.8	3%	1.4	105%
PBT	64.2	72.0	-11%	82.6	-22%
Tax	18.4	22.3	-18%	27.1	-32%
PAT	45.8	49.7	-8%	55.5	-18%
Net Profit Margin	15%	16%	-100bps	20%	-400bps

Source: Company Data, KRChoksey Research

Exhibit 3: Income Statement

Particulars (Rs Cr)	FY10	FY11	FY12E	FY13E
Net Sales	927	1090	1199	1319
Other Operating Income	14	14	17	20
Total Operating Income	942	1105	1216	1339
Raw Material	274	333	376	414
Employee Cost	121	143	157	170
Other expenditure	265	297	327	359
EBITDA (Exc OI)	282	331	356	396
Other Income	34	23	25	25
EBITDA (Inc OI)	316	354	381	421
Depreciation	51	56	66	72
EBIT	266	298	315	349
Interest	7	7	6	5
PBT	259	291	309	344
Tax	83	96	102	114
PAT	176	195	207	230

Source: Company Data, KRChoksey Research

Exhibit 4: Balance Sheet

Particulars (Rs Cr)	FY 10	FY 11	FY 12E	FY13E
Share Capital	60	63	63	63
Reserve & Surplus	552	637	734	854
Secured Loans	192	180	168	145
Deferred Tax Liability (Net)	62	63	63	63
Total Liabilities	866	943	1028	1125
Fixed assets	547	516	458	514
Investment	202	232	232	232
Inventories	53	57	60	62
Sundry Debtors	181	213	244	281
Cash & Bank Balance	85	36	27	33
Other current assets	26	23	30	30
Loans & Advances	72	138	152	198
Less: current liab & Prov	130	137	175	225
Total Assets	866	943	1028	1125

Source: Company Data, KRChoksey Research

Exhibit 5: Cash Flow

Particulars (Rs Cr)	FY10	FY11	FY12E	FY13E
Profit before taxes	259	291	341	405
Operating profit before working capital changes	-16	-31	-43	-53
Net cash provided by operating activities	210	226	285	316
Net cash used in investing activities	-48	-266	-258	-289
Net cash used in financing activities	-159	-9	-27	-27
Net increase in cash & cash equivalents	2	-49	-9	6
Cash & Cash equivalents at the beginning of the year	83	85	36	27
Cash & Cash equivalents at the end of the year	85	36	27	33

Source: Company Data, KRChoksey Research

Exhibit 6: Ratios

Particulars	FY10	FY11	FY12E	FY13E
EBITDA Margin (%)	29.9%	30.0%	29.3%	29.6%
Net Profit Margin (%)	18.7%	17.6%	17.0%	17.2%
EPS, Rs	5.8	6.5	6.9	7.7
PE, (x)	18.0	16.2	15.3	13.7
P/BV, (x)	5.2	4.5	4.0	3.4
RoE (%)	28.8%	27.9%	26.0%	25.1%
EV/EBITDA	11.6	10.0	9.3	8.3

Source: Company Data, KRChoksey Research

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Jagran Prakashan Ltd.			
	CMP (Rs)	TP (Rs)	Recommendation
25-Oct-2011	105	131	BUY
1-August-11	115	144	BUY
31-May-11	124	144	BUY
11-Feb-11	122	153	BUY

Rating Legend	
Our Rating	Upside
Buy	More than 15%
Hold	5% - 15%
Reduce	0 - 5%
Sell	Less than 0%

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